— STPI Guwahati with links with other North-Eastern States
— ERNET connectivity to 7 universities in North-Eastern States
— Sikkim Connect
— Extension Centre of ER&DC, Calcutta at Guwahati
— Centre for CEDT at Mizoram
— 49 courses in Manpower Development/Training in IT and Repairs & Maintenance at 16 institutions.

— Tea process automation
— Resource centre for Indian Language Technology Solutions (Assamese & Manipuri) at IIT, Guwahati.
— IT infrastructure at 66 Districts and State headquarters by National Informatics Centre (NIC)
— Infrastructure provided by NIC ibn each district of North-Eastern States and Video Conferencing facility in State Capitals

2. Recently, Ministry of Information Technology has formulated a proposal of setting up Community Information Centres (CICs) in 486 Blocks of North-Eastern States including Sikkim.

(d) Does not arise.

Software exports

810. SHRI S. AGNIRAJ:
DR. MOHAN BABU:

Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) what is the total value of software exports to various countries during the last three years, country-wise;

(b) what is the level of growth in software; and

(c) what additional incentives are being proposed to boost software exports in the country?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND

MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) Statement-I is enclosed *(See* below).

(b) Software-has grown from a level of Rs. 9970 crores (including exports of Rs. 6,500 crores) in 1997-98 to Rs. 16,740 crores (including exports of Rs. 10,940 crores) in 1998-99 thereby registering a growth rate of 67.9%.

(c) Statement-II is enclosed.

Statement-I

Major Destinations for Computer Software Exports

Destination	Year		
	1996-97 (%)	1997-98 (%)	1998 -99 (%)
North America (USA & Canada)	58	58	61
Australia & New Zealand	2	2	2
Europe	21	21	23
Japan	4	4	4
South East Asia	8	6	4
West Asia	2	2	.1.5
Rest of the World	5	7	4.5
TOTAL PERCENTAGE	100	100	100
TOTAL VALUE OF EXPORTS	Rs. 3,700 crores	Rs. 6,500 crores	Rs . 10,940 crores

Statement-II

Incentives to IT/Computer Software Sector

1. A Special Advance Licensing Scheme for export of Electronics products has been notified *vide* DGFT Public Notice No. 41 (RE-98)/1997-2002 dated 16.9.98. The imports under the scheme shall precede export and the licences under

the scheme shall be issued with the positive value addition. The Designated Officers of the Ministry of Information Technology (MIT) have been entrusted with the task of verifying the relevance/usability of inputs in the export product as well as the quantity required.

2. As a major step to encourage production and exports, the facility to import capital goods under the Export Promotion Capital Goods (EPCG) Scheme at zero duty with the reduced threshold limit of Rs. 1 crore was extended to the electronics industry w.e.f. April 14, 1998. For Software Sector this limit was reduced to Rs. 10 lakhs. The export obligation required to. be fulfilled is 6 times CIF value of CG on FOB basis or 5 times CIF value of CG on NFE basis, over a period of six years.

3. A separate procedure for consideration of EPCG applications pertaining to the electronics and software sectors has been notified *vide* DGFT Public Notice No. 15(RE-98)/1997-2002 dated 8.6.98, whereby these applications are considered by the Licensing authorities on the recommendations of the Designated Officers of MIT instead of being placed before the EPCG Committee. DGFT have also issued a Public Notice No. 29(RE-98)/1997-2002 dated 1.9.99, as per which units in electronics and software sectors will have option to apply for EPCG Licence to the competent authority on the basis of self-declaration regarding the nexus between the CG to be imported with the items to be exported.

4. Foreign investment of upto 100% is permitted in units set up solely for exports. Various incentives arc available for export-oriented units, which include duty free imports of capital goods, raw materials, components and other inputs, tax holidays against export and access to the domestic market. Such units can be set up under any of the schemes viz., Electronics Hardware Technology Parks (EHTP), Software Technology Park (STP), Export Processing Zone (EPZ) and 100% Export Oriented Units (EOU). The EHTP scheme has been designed to meet the specific requirement of a globally-oriented electronics sector. Software Technology Park

Scheme is an export oriented scheme for the development and export of computer software using data communication links or in the form of physical media, including export of professional services.

5. EHTP and STP schemes are implemented under the aegis of the Ministry of Information Technology through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

6. Powers of approval of the Designated Officers of MIT for implementation of STP/EHTP schemes have been further enhanced, *vide* Para 9.37 of the Ministry of Commerce Handbook of Procedures (Vol. I), 1997-2002 (incorporating amendments made upto 31.3.99). They can now approve setting up of STP/EHTP units where foreign exchange required for import of capital goods (net of taxes) is upto US$ 10 million.

7. A special stock option scheme for Indian Software Companies linked with ADR/GDR offerings by these companies, as an instrument to enable these companies to provide incentives to retain their highly skilled professionals, has been notified *vide* Reserve Bank of India (RBI) A.D. (M.A.) Circular No. 25 dated 7.8.98.

8. RBI has framed Guidelines dated 8.8.98 for sanction of working capital finance to information technology and software industry.

9. Government has approved setting up of a National Venture Fund for Software and IT Industry (NFSIT) with a corpus of Rs. 100 crores, out of which MIT shall contribute Rs. 30 crores.

10. Provision for issue of Sweat Equity by companies has been introduced in the Companies (Amendment) Act, 1999.

11. In the EXIM Policy, 1997-2002 (incorporating amendments made upto 31.3.99), DTA access up to 50% of the FOB value of export has been permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units

under EOU/EPZ/STP schemes. Broad banding has been permitted in the DTA sales of Hardware manufactured by EHTP units for items covered in the Letter of Permission.

12. The procedures for operation of the units in the EHTP/EOU/ EPZ/STP schemes have been simplified considerably and a number of operations have been permitted on the basis of self certification, as per Chapter 9 of Ministry of Commerce Handbook of Procedures (Vol. I), 1997-2002 (incorporating amendments made upon 31.3.99).

13. Procedures for sub-contracting of production process in DTA has been made simpler for EHTP/EOU/EPZ/STP units in terms of Department of Revenue Notification No. 44/98-Customs dated 2.7.98.

14. Manufacturers—importers of Electronics goods having investment of Rs. 3 crores and above and units in EPZs/ EHTP and STP are eligible for fast-track clearance of goods imported by them *vide* Ministry of Finance (CBEC) Circular No. 56/98 dated 3.8.98.

15. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme, as per Para 7.10 of the EXIM Policy, 1997-2002 (incorporating amendments made upto 31.3.99).

16. The Depreciation on Computers has been allowed @ 60%.

17. In the 1999-2000 Budget, Customs duty on Computers and Peripherals has been reduced from 22% to 20%. The Customs duty on all storage devices, integrated circuits and microprocessors has been made uniform at a level of 5% and Customs duty on parts of computers has been brought down from 10% to 5%. The customs duty on Data display tubes and Deflection components of colour monitors is @ 5%.

18. Information Technology Software has been exempted from Customs Duty.

19. EOU/EPZ/STP/EHTP units have been exempted from payment of Corporate Income Tax for 10 years.

20. Profits from export of computer software are eligible for

Income Tax deduction in terms of Section 80 HHE of the Income Tax Act.

21. Definition of Computer Software, as in Section 80 HHE of the Income Tax Action has been widened to include transmission of data.

22. Benefit of Section 80 HHE has been extended to supporting software developers.

23. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

24. Computer systems have been made freely importable, *vide* EXIM Policy, 1997-2002, applicable w.e.f. 1.4.1999.

25. The Donation of computers, imported duty free by EOU/ EPZ/STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units has been permitted *vide* Ministry of Finance Notification No. 47/98-Customs dated 16.7.98.

26. The second-hand computers and computer peripherals donated by an outside donor to Government schools have been exempted from customs duties, *vide* Ministry of Finance Notification No. 18/99-Customs dated 11.2.99.

27. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

28. Under the Employee Stock Option Scheme, income **tax** payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.

29. The expenditure incurred to make the existing computer systems Y2K complaint shall be treated as revenue

expenditure and hence will be eligible for deduction in computing the income of the business.

30. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific Research association for the purposes of scientific, social or statistical research has been provided.

Making of cyber laws

†811. SHRI JANESHWAR MISHRA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that Dr. A. P. J. Abul Kalam, Principal Scientific Adviser to Government of India, has stated that we should make cyber laws so that technology and industry could not be jeopardized; and

(b) if so, by when necessary legislation is likely to be brought forward in this regard?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) A Bill in this regard known as the Information Technology Bill, 1999 has been introduced in Lok Sabha on 16.12.1999 to provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce"

† Original notice of the question received in Hindi.